



The League of Nations Its Economic Aspect

BY

HARTLEY WITHERS

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THE LEAGUE OF NATIONS: ITS ECONOMIC ASPECT

FROM the economic point of view the case for the League of Nations is so strong that it hardly needs to be stated. The question that now confronts mankind is literally this: Are its best energies and efforts to be devoted henceforward to production or destruction? If there is a League of Nations the answer will be Production. If not, Destruction. If the answer is Production, then all that we need for a healthy, comfortable, and, in the best sense of the word, civilized life will, or can, be turned out for us in abundance. If the answer is Destruction, then we shall have to be stinted in the supply of all that makes life good and pleasant and wholesome, in order that we may compete in the race for the greatest output of death-dealing weapons and the greatest efficiency in their use.

The question will be asked: Why is this terrible dilemma now before us? What has happened to force this choice upon us? The answer is in the facts of the present war, which has shown how inexhaustible

is the demand of a modern army for mechanical contrivances for destruction, involving an enormous amount of materials, labour, and ingenuity in their preparation and use. Before the war it was generally believed that a war involving the great Continental Powers must necessarily, if it happened, last a short time, because the needs of the fighting hosts in the matter of guns and shells and all the machinery of transport would be so great that the civilian populations would be unable to supply them. The war's experience has shown that these needs were infinitely greater than was expected, but nevertheless they have been supplied over a period of more than four years, because the productive power of the nations has been found, under the stimulus of war's needs, to be much greater than it was believed to be. As the war went on new methods of applying scientific labour and ingenuity to destruction were continually developed. Submarines and aeroplanes grew bigger and more effective, weapons designed for their defeat grew more varied and numerous, tanks were invented and developed, and science astonished even itself with its successes in such devices as poison gas, and in perfecting defences against them.

Thus the war has shown us in the first place that when man gives his energies to the task of destruction he makes a call upon them which is insatiable in its demands; and, in the second, that those energies of his have been able to meet the call to an extent

which was undreamt of, because man did not know how hard or how well he could work, until the stimulus of this war made him put every available ounce into facilities for mutual slaughter.

It is these practical lessons of the war that have shown us that we stand at the parting of the ways, and that one of the roads open to us leads us to despair and ruin ; while the other can take us, if we make good use of the experience gained, to a new and much higher level of material prosperity, with opportunities for a great step forward towards things much more important than material prosperity—a higher and more widely-diffused intellectual development, a truer appreciation of beauty, and a great improvement in the general standard of conduct, and in the relations of man to man in the ordinary affairs of life.

For we have always to remember that the income—that is, the amount of good things to be consumed—of every town, of every village, of every nation, or of the world at large, consists at all times of its output. Apart from the claim on the goods of other peoples that investments made in the past may give us—a small item in the income of most peoples—we cannot as a community, large or small, consume or enjoy more than we make or grow. Our power to make and grow is limited by our stock of raw materials, the amount of work that we can put into them, and the amount and efficiency of the equipment and machinery and tools that we have got, owing to our own previous

exertions and those of the workers and organizers who have gone before us. Many people are unable to recognize the truth of this simple platitude because they confuse the issue by thinking of the national income, or the world's income, in terms of money. Some, especially in these days, go still farther, and think that it is possible to make us happier and better off, and to cure our financial difficulties by manufacturing money and increasing the number of coins and pieces of paper that we carry, and the amount of credit that we have with our bankers. But multiplying money is useless and worse unless it helps us to multiply the good things that we want and need. Otherwise it simply causes a rise in prices. If the new money is evenly distributed to all then we are all just as we were. If, as is much more likely, it is unevenly distributed, then some are better off and some are worse off, and there is discontent and friction and readjustment, and a jarring of the machinery of production, which is sure to restrict the output of goods.

We can only be made better off and more comfortable by increasing the supply of good food, good clothes, good houses, cheap travelling facilities, good teaching, and that freedom from anxiety about the means of life which makes people more likely to be kindly and considerate in their treatment of one another. How does a League of Nations help towards the achievement of these objects?

Let us see first how this achievement is likely to fare if no League of Nations can be set up. In this case, the war will end in a peace which will leave the world in the condition in which it was before it, but with its evils infinitely aggravated by all that the war has taught about the need for elaborate and costly armaments, with the further addition of all the bitterness and vindictiveness, and the legacy of hatred that the war will, in that case, most surely leave behind it. There will be no room in the world for a nation that is not fully armed. Instead of making good things for our enjoyment and comfort, the best energies of every people will be put into devising and making weapons of destruction, thinking out new and even more costly and deadly ones, and training the flower of the nation's manhood in their use. Submarines, aircraft, huge guns that will shell defenceless towns a hundred miles away, devilish variations in the beauties of poison gas, new machines of destruction of a kind that we cannot yet imagine—these will be the objects which our ablest men of science and our most energetic captains of industry will be called upon to furnish, and our armies of workers will be busied in producing. Taxation will take a larger and larger toll on the buying power of every citizen, transferring it to the State to be spent on such 'commodities' as these, instead of on the comforts and pleasures and decencies of a well-ordered life. And then, after some years of this miserably perverted

activity, a spark will be set to the smouldering flame of international suspicion, and mankind will set out upon the business of mutual destruction armed with all the hideous weapons that will in the meantime have been invented and perfected, and a war will blaze up which in horror and destructiveness will distance the present one even farther than it has distanced all that went before it. After years of preparation in which production will have been concentrated on the power to destroy, that power will be exercised with ruthless effectiveness on such products of material civilization as will at that time be in existence.

But this is only half the story. Not only will the output of every nation have been seriously checked by the diversion of so much of its energy, skill, and labour into devising and making weapons, and exercising itself in their use; but the diminished store of energy, skill, and labour that will be available for the production of material goods will have found its efforts seriously hindered by the nightmare of war preparation. Hitherto the nations have been able to benefit themselves and one another by exchanging the goods that they produce. Though each nation's income is its output it does not necessarily consume the whole of that output itself. A large or small part of it it can use for sale to other peoples, taking the proceeds in goods from abroad of a kind that it cannot produce itself, or cannot produce so

well as other nations, owing to differences of climate, natural aptitudes, or physical facts such as the distribution of metals on the earth's crust. The benefit to mankind that has been wrought in past centuries from the interchange of commodities through oversea traffic is an economic commonplace that is universally recognized. But if there is no League of Nations, the experiences of this war will tend very seriously to check this interchange. For every nation will see that when the next war happens the development of the submarine that may take place in the meantime may make oversea intercourse impossible, or so precarious that to depend on it would be to court disaster. And not only oversea trade would be checked, for no nation could be sure that it will not some day be at war with its next-door neighbour across the frontier, and so in view of modern conditions of warfare will prefer to consume its own products rather than foreign. In other words, it will be the aim of every nation to make itself as far as possible self-sufficing, to train its inhabitants to make everything for themselves, and to refrain, as far as possible, from the use of goods that have to come by sea or over the frontier. And so, instead of the supply of good things being quickened and improved by being turned out in the countries where they can be made best and distributed over the world by the process of international trade, there will be a tendency for each nation to confine itself to things that it can make for

itself, and this at a time when its best energies will be devoted to making killing machines. The consequence is likely to be that every nation will fare much as an individual would fare who had to depend on his own exertions for his food and clothes and shelter, and at the same time gave most of his thought and energy to devising traps for his neighbour and means of killing him when they next came to blows.

And not only would the interchange of goods and division of labour between nations, by which mankind has so enormously benefited in the past, be checked by the need for self-sufficiency which modern warfare imposes. A further check would be provided by the difficulties of international finance if the war left the world faced by the need for preparation for the next one. In former wars, when Governments carried them on in a more or less gentlemanly manner, financial contracts between debtors and creditors could be carried out to some extent. For instance, Russian bonds were long a favourite investment among British capitalists because they remembered that all through the Crimean War English holders of Russian bonds were punctually paid their interest as it fell due. In the present war a new precedent has been set up. Governments not only do not pay what they owe to the subjects of Powers with which they are at war, but do not allow their subjects to carry out contracts with enemies. It follows that if there is no League of Nations international investment and international

business of all kinds will be seriously hampered by the certainty that, if war breaks out, any money invested in enemy countries will pay no interest, and the securities representing it will be saleable, if at all, on most unfavourable terms, and that debts due from enemy debtors will most probably be bad debts until the war is over. If every one could know exactly with what other countries his nation was going to be at war, the deterrent effect of this check on international financial arrangements would be less serious. But as it would be impossible to foresee with certainty on this point, since new problems might arise and bring new groupings among the nations in their train, all kinds of business between nation and nation would be carried on with hesitation and difficulty unless a League of Nations could be set up.

Moreover, such industrial, trading, and financial activity as was possible under such hampering conditions would at all times be subject to panics and alarms. Before the war a large number of people jogged along at their business in the belief that war on a Continental scale was so improbable that it might be left out of their calculations. This belief has been shown to be wrong, and the confidence in enduring peace that is essential to the vigorous conduct of industry and finance has been so rudely shaken that it cannot be fully restored unless there is some drastic alteration—such as that which would be brought about by the establishment of a League of

Nations—in the manner in which international disputes are settled. The experience of the war has also shown that a sudden attack by any nation that decided on war would, with the latest developments in weapons of attack, be a short cut to victory. There would be no preliminary fencing. War would be in full swing in a day, and the whole machinery of commerce would be crashed into by the organization of destruction without warning or notice. Traders, manufacturers, and financiers would live in a state of such acute nervous apprehension that no approach to the old activity and confidence could be possible. And business activity is largely a psychological question—that is, a question of the state of mind of those who keep the wheel of enterprise spinning. If they believe that what they produce or buy will find a ready market, then the wheel spins merrily. If they have any doubt, then comes dread of glut and sluggish markets, and grass begins to grow in the highways of commerce.

It may be said that certain fortunate nations have been shown by the experiences of the past four years to be outside the orbit of war, and that they at least have nothing to dread from a return to the *status quo ante*. But he would be a bold prophet who asserted that because a people has stayed outside this war it could be certain not to be sucked into the wider whirlpool of the next. And even if this certainty were possible, the position of the neutrals would

hardly be economically happy if all their principal neighbours were reduced by the constant fear of war to a condition of diminished production and consumption. Full prosperity in these days is only possible when it is world-wide. With the chief nations of the earth intent only on the means of destruction it would be impossible for a small minority to achieve anything like the economic progress that might be theirs under happier circumstances.

Summing up, then, the economic future of the chief nations of the world, if it does not succeed in establishing a League of Nations, we see that it will consist chiefly in the diversion of their productive activity to the invention and manufacture of destructive weapons; taxation, on a scale undreamt of before the war, will reduce the buying power of the individual citizen and divert it to the State to be used for the purposes above named; the course of commerce will be warped and checked by fears of what the next war will bring in stopping all kinds of communications, with the result that every people will strive to be as far as possible self-sufficing, and purchases of foreign goods will be discouraged and prohibited; international investment and business will be checked by the memories of the present war, and expectations of a sudden outbreak of a new contest will undermine the confidence which is essential to active enterprise. And when the next war comes at last, with all the weapons that have made the present one so hideous developed

and perfected to a degree of efficiency that we can at present hardly imagine, its destructiveness seems likely to wipe out most of the patiently achieved successes—such as they are—of our present civilization.

Such is the picture of what we may expect if the League of Nations is not established to rescue mankind from destruction. On the other hand, what may we expect if it can be achieved? There is no need to dwell on the enormous economic advantage that would result from a reduction of expenditure on armaments, owing to the establishment of an international police force, to keep the peace, to which each nation would contribute a quota, which at any rate need not be more costly than the forces which it maintained before the war. In course of time the contribution to the international force might be made much less, but even this would be an important economic relief as compared with the expenditure that would be necessary for all the chief nations that meant to preserve their existence, if they were forced to develop their powers of offence and defence on the scale that the present war has shown to be essential for preparation for another. Taxation for armaments would be incalculably lighter, and the energy of the nations, set free from the nightmare of competition in destruction, would be able to apply to the purposes of peace and production the lessons taught by the war concerning the unsuspected power of mankind to turn out such articles as are found to be necessary. If the

peace of the world could be assured, and if hearty co-operation on the part of all who work the productive machine can be brought about, the output of all kinds of goods might evidently be made very much greater, thanks to scientific improvements and the better organization of industry, and the discovery that thousands of people who had never worked before were able to do good work when war made it necessary to call on them.

It is true that the war debt will be a burden which most nations will have to bear. But in so far as these debts are held at home they will involve merely a transfer of buying power; and economic enlightenment and widened franchises may be relied on to see to it that the burden is laid, in due proportion to ability to bear it, on the shoulders of those who enjoy a margin above the means of subsistence, generously interpreted. The war debt charge payable to debt holders within the nation is a totally different burden from the charge involved by armaments and preparation for destruction. It does not take a man away from productive work, it does not lessen the volume of goods to be consumed, it does not turn the thought of a single inventor or scientist from improving man's lot to helping to compass his death or maiming. Its due apportionment will involve difficult problems, but if the increasingly greater output that is possible can be secured, its burden will grow lighter in every year of peace.

With confidence restored, and the exchange of products between nations no longer hampered by fears of war, a great increase in international trade might well be expected, and a world-wide development of production would be assured. With a greater output of goods, there would be an opportunity which statesmanship, freed from war's nightmare by a League of Nations, might surely be able to grasp, of improving the distribution of wealth, so that the nations might rival one another, not only in the figures of their trade and the mass of their products, but in the well-diffused prosperity and high standard of comfort among all classes of their citizens. And when these material gains have been won, then it will be possible to go on to winning still higher victories, and diffusing not only prosperity but educated intelligence and some opportunity of a really noble life.

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